

SOUTHGATE WATER SYSTEMS, INC.
2324 WAINWRIGHT PLACE
WALLA WALLA, WA 99362
TELEPHONE (509) 525-7301

IMPORTANT NOTICE

Date_____

a. Southgate Water Systems, Inc. has filed for approval from the Washington Utilities and Transportation commission to increase rates \$10,554 (27 percent) annually. If approved, the rates will be effective on March 1, 2009.

b. The current rate and proposed rates are shown below:

	<u>Current</u>	<u>Proposed</u>
Basic rate per month	\$37.50	\$50.00
Rate per 1,000 gallons in excess of 15,000 up to 50,000 gallons per month	\$1.00	Rate per 1,000 gallons in excess of 10,000 up to 40,000 gallons per month \$1.00
Rate per 1,000 gallons in excess of 50,000 gallons per month	\$3.00	Rate per 1,000 gallons in excess of 40,000 gallons per month \$3.00

c. The water meters will be read 12-31, 3-31, 4-30, 5-31, 6-30, 7-31, 8-31, and 9-30 to calculate water usage.

d. The increase in rates is necessary to cover operating costs, to provide water and maintain the water system, and recover a portion of the capital improvements. The rates are designed to encourage water conservation while applying a base rate for the water availability. Some of the major costs that Southgate Water Systems, Inc. incurs each year are set forth below:

Maintenance of water system
Pump repair and maintain utilities
Engineering
Water testing and chemicals
Health Department fees and licenses
Reading meters
Billing services
Legal & accounting
Property and business taxes
Office supplies and postage
Insurance
Electricity (which has increased substantially)

1. During the past four years the system has required capital improvements of \$64,737 as shown below:

2007	Variable Well Drive	\$23,772
2004	Booster Pump	<u>40,965</u>
		<u>\$64,737</u>

2. During 2007, repair expense of \$20,722 was incurred as a result of an electrical surge.
3. The water rates in effect for the past four years have not covered direct costs and did not provide any return on the capital of approximately \$730,000 invested in the water system or provide any funds for future capital replacement costs.

- e. If you have questions about the proposed filing and how it will affect you, please call Southgate Water Systems, Inc. at 509-525-7301.

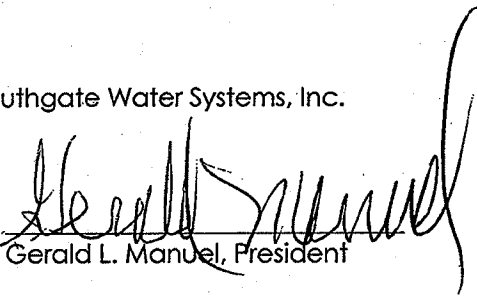
The commission has the authority to set final rates that may vary from the company's request, depending on the results of its investigation. To comment on this filing, be added to the commission's mailing list, or ask questions about the ratemaking process, please use the contact information below. You may also comment in person at the commission's open meeting at 1300 S. Evergreen Park Dr. SW in Olympia at 9:30 a.m. on January 15, 2009, or by using the "Public Comment" feature at the commission's Website, at <http://www.utc.wa.gov/comment>. The commission is scheduled to make a decision at its open meeting on February 26, 2009. If you are unable to attend the open meeting in person, you can participate or listen by telephone. Call 360-664-1234 for instructions the day before the open meeting. You may also comment by using the "Public Comment" feature at the commission's Website, at <http://www.utc.wa.gov> or may provide your comments in the following manner:

Mail: Post Office Box 47250, Olympia, WA 98504-7250
E-mail: comments@utc.wa.gov
Telephone: 1-888-333-WUTC (9882)

Sincerely,

Southgate Water Systems, Inc.

By


Gerald L. Manuel, President